

ORIGINAL

4616 E. Pebble Ridge Road  
Paradise Valley, AZ 85253  
February 19, 2009



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RECEIVED

Kristin K. Mayes, Commissioner and Chairman  
Sandra D. Kennedy, Commissioner  
Paul Newman, Commissioner  
Gary Pierce, Commissioner  
Bob Stump, Commissioner  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007-2996

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Arizona Corporation Commission

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*[Signature]*

RE: Docket # W-01303A-08-0227 - *5 W-01303A-08-0227*

Dear Commissioners Mayes, Kennedy, Newman, Pierce, and Stump:

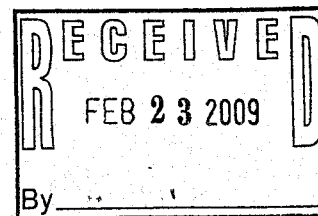
Arizona American Water has again filed for rate increases for its customers including those in Paradise Valley/Scottsdale. Arizona American Water held 2 meetings for its PV/Scottsdale customers to inform them about the "new" rate case. The first in October, 2008 became contentious and Paul Townsley, President of AAW, suggested that a second meeting be held to answer questions which were being put to him. The second meeting was held February 9, 2009.

Mr. Townsley was closely questioned about specifics pertaining to Paradise Valley customers. One question which Mr. Townsley addressed had to do with the number of tiers being requested for us in the new rate case. Townsley specifically stated to all present including PV Town representatives, AAW representatives and citizens that, in rebuttal testimony which would be filed with the Commission the following day, AAW had changed its request from implementing 5 rate tiers back to the 3 tiers that are currently in place. This turned out not to be the case at all. Arizona American strongly reiterated in its rebuttal testimony that it was requesting 5 rate tiers. What was the point of the meeting if those attending were to be given incorrect information?

That being said, rather than argue specific points in the case I would like to request, as an Arizona Americana water customer, that you consider the following:

- Rate increases of 20-22% are not appropriate in the economy we are presently facing.
- For now billing tiers should be maintained at 3. The Commission should notify customers via comments when the decision is made on this case that rate tiers will be increased at the next filing.

We were taken aback after the rate increase in 2006 when we were told that the increased rates were to encourage conservation. At no point had that message been communicated to us. Many AAW customers in Paradise Valley live on one acre lots and we had been happily landscaping and watering. One of the things



***I was told when I moved here was that, even though we were moving to a desert, Arizona had plenty of water and that it was cheap.***

***We now understand that is not true and have changed expectations, but, in many cases, changing to desert landscaping costs tens of thousands of dollars and cannot be accomplished all at once. Two additional years will allow us to continue to redo landscaping and to continue to reduce water usage.***

- ***Arsenic removal should remain as a separate charge so that customers understand how much they are spending to meet federally mandated standards.***
- ***The fire flow surcharge should be discontinued and the entire project put on hold until an in-depth study can be done to determine what the true fire flow needs are in Paradise Valley.***
- ***Reserves for infrastructure improvement need to be mandated by the Commission and proof provided to the Commission that infrastructure is being replaced as required, so that all infrastructure is replaced at the end of its expected "life."***
- ***Any company which continues to lose money long term, as Arizona American Water claims it is, should be aggressively seeking to improve performance by determining where money is being misused and/or wasted and correcting those conditions. It should also be pursuing outsourcing and collaboration with other companies. If AAW cannot successfully operate a water utility company in Paradise Valley or in other areas of Arizona then probably it should be forced to step aside for someone who can.***
- ***Perhaps, as complicated as it would be, the Commission should study combining all Arizona private water companies so as to take advantage of economies of scale at many levels.***

***Thank you for considering my suggestions. I look forward to the hearing on March 19.***

***Yours sincerely,***



***Patricia A. Pierce***

***Copy To: Water Committee, Town of Paradise Valley  
Vernon Parker, Mayor, Town of Paradise Valley  
Jim Bacon, City Manager, Town of Paradise Valley***